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STATE EQUALIZATION PROJECT RECOMMENDATIONS

State of Iowa
DEPARTMENT OF PUBLIC INSTRUCTION
State Equalization Project
Grimes State Office Building
Des Moines, Iowa 50319

STATE OF IOWA
DEPARTMENT OF PUBLIC INSTRUCTION

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STATE EQUALIZATION PROJECT RECOMMENDATIONS

Introduction

This section of the summary report presents legislative recommendations. However, in addition to recommendations for change, there are numerous recommendations which could be made expressing no change. It is too easy to dwell on the negative without noting the positive. Iowa is often referred to as one of the states having a high support level for education, one of the most equitable finance plans in the nation and having one of the most literate populations of all the states. Thus, before presenting recommendations to correct problems, some of the many positive findings are noted.

Positive Aspects

Among the major positive aspects and changes revealed by the study were: 1) administrators' feelings that the School Budget Review Committee serves a useful purpose and has done an excellent job; 2) both the general fund per pupil expenditure and the district cost disparities have been reduced over the six-year period; 3) in spite of increasing demands on non-instructional areas of the budget, Carnegie Unit offerings were, in general, increased by most school districts; 4) additional dollars to serve the needs of special education students have been made available; 5) support staff personnel such as guidance counselors, librarians, psychologists, media specialists, etc., in spite of increasingly smaller portions of the total general fund budget going toward instruction, have been added and 6) increases in the employment of teacher aides have occurred, thus reducing teacher workloads in non-instructional areas.

Areas of Concern

There are a number of other findings which deserve recognition. These findings represent areas of concern worthy of continued careful observation and examination. These areas include:

1. Change in Composition of Teaching Staff

From 1971-72 through 1976-77, the proportion of the state's teaching staff composed of bachelor level teachers increased, while the proportion of the staff with advanced degrees decreased. This phenomenon further suggests that the average experience level of teachers is also less now than in 1971-72. Evidence suggests that trend is likely to continue.

2. Change in Pupil-Teacher Ratios

With the continual decline in enrollments, pupil-teacher ratios have decreased over the six-year period from 1971-72 to 1976-77. Some pupil-teacher ratios at the secondary level have dropped below 8 to 1 in some schools. In many instances, there is no ability to improve inefficiencies such as these, as many school districts have only one section per grade level.

3. Certificated Support Staff

There are inequities among districts with respect to the number and diversity of specialized educational and educational-related support staff to assist in providing for special needs of students. The district characteristic found to be most closely associated with support staff, such as counselors, librarians, health services personnel, media specialists, etc., was enrollment.

4. Teaching Load

There is clearly a considerable variation in teaching load when viewed in relation to the number of full-time equivalent teachers in grades 10-12 and the number of Carnegie Units offered by the school district. It appears that teachers in the 45 smallest districts have a ratio of units offered to teachers of 4.4 to 1, while the 45 largest districts have ratios of units offered to teachers of 1.88 to 1. This suggests that teachers in the smaller districts probably have more than twice the number of teaching preparations as teachers in the largest districts, since teachers in the largest districts are most likely teaching multiple sections of the same unit offering, while teachers in the smallest districts are teaching single sections for between four and five different unit offerings.

5. Fixed Costs

Results from the study demonstrated that fixed cost items, such as IPERS, FICA, insurance, utilities and maintenance of buildings, have grown at a rate more rapid than the total budget and therefore represent a larger proportion of the total general fund expenditures than they did in 1971-72. This growth in "fixed" expenditures had impacted the instructional component of the budget as well by causing a reduction in the proportion of the budget allocated to instructional expenditures.

As the data suggest, expenditures for fixed costs have continued to command greater portions of the budgets, thus forcing decreases in portions of the budget spent for instruction. This phenomenon has been shown to occur for all districts, regardless of district characteristics.

Serious consideration was given to recommending a move toward program-type budgeting in dealing with fixed costs. This recommendation was put aside, however, in favor of other recommendations which provide adequate financing for the area of fixed charges and do not carry with them additional restrictions or demands on local district budgeting and reporting procedures. Separate budgeting and funding for fixed charges would reduce local control and discretion in the use of these funds.

6. Elementary Programs[1]

With the increasing demands of non-instructional elements of school budgets, which have caused less money to be available for instructional

[1]This is only an inference which can be drawn, since program data at the elementary level is not collected systematically by the Department and was not readily available for analysis by the project.

components of the budget, school districts and particularly the smaller districts may have been forced to make cutbacks in elementary programs. The smallest school districts spend larger proportions of their budgets on non-instructional budget items than other districts. They must also continue to provide the minimum course offerings required by 257.25, while at the same time their enrollments have declined at a higher rate than larger districts. This has caused a loss of dollars for which they have little or no ability to offset with efficiency measures, thus it is not unlikely that cutbacks in their elementary programs have taken place, since many could not make cutbacks at the secondary level and still meet state standards.

Recommendation Format

The recommendations which follow are presented in a format which first delineates the problem or area of concern identified through the study, while secondly stating a specific recommendation of how to deal with the identified problem and lastly presents major supportive data and rationale for the recommendation.

The presentation of support research data and rationale is not meant to be an exhaustive presentation of all major findings which support recommendations. Additional data to substantiate recommendations are found in the individual project reports.

The accompanying recommendations fall into three basic categories: 1) status quo recommendations dealing with the 447 school districts and the present set of given circumstances; 2) equity recommendations dealing with both finance and program equity and 3) a recommendation dealing with school district structure.

RECOMMENDATION I

A. Problem

The number of students in a district basically determines the district's budget. Pupils multiplied by local district cost per pupil establishes the controlled budget, and it is the controlled budget which is supported, in part, by state aid.

The pupil count used for budget purposes, if AEA costs are excluded, has three parts; actual certified pupils, a compensation for declining enrollment, and a special education weighting. If the AEA costs are included, then nonpublic students are included to determine media and other services costs.

Prior to the 1979-80 budget year, compensation for declining enrollment was determined by calculating the difference between current enrollments and enrollments one year previous. If a district was declining, then 50 percent enrollment loss up to 5 percent of the base year enrollment was forgiven or added to the actual enrollment. For any loss over 5 percent, 25 percent of the loss was forgiven. For the 1979-80 budget year, 2.5 percent of the base year enrollment will be completely forgiven, and any loss over this will be forgiven at the 50 percent level.

would be eliminated

The special education weighting depends upon the needs of the student and the type of program to which the student is assigned. Basically, students classified as learning disability students receiving special help but remaining in the classroom are weighted as 1.7. Students in special classes are weighted 2.0 and students with severe mental, physical or emotional handicaps are weighted as 4.0.

Although the counting method is merely a vehicle used to determine the budget, it is a reflection of the local needs, as can be determined by the absolute numbers of students. However, it is only a reflection of needs, and obviously as the number of students change, there cannot be a corresponding one-for-one dollar change in expenditures.

The method of counting also is important when the public associates the number used with the students being educated. Instead of the formula enrollment merely being considered as a means of equitably determining the budget for districts, the phantom student, as a means of providing cushion for enrollment decline, is thought of as receiving money for students who aren't there. The terms "phantom or ghost students" have only served to further the misunderstanding by not conveying that the intent is to assure that a school district must operate, to a certain extent, from a budget-to-budget approach, not a pupil-to-pupil approach. Hence, stablizing enrollments through cushioned declines is one way of achieving this.

Clearly, no school district can operate on less money from one year to the next unless buildings can be closed, staff reductions are implemented, or other economy moves are implemented. This is not to say that economy

moves are not appropriate and that as enrollments decline, economies cannot be realized. However, it appears that enrollment declines have had a greater impact than allowable growth to the extent that expenditure patterns have changed. The enrollment declines have impacted budgets to the extent that many school administrators feel it has been difficult to maintain the status quo.

The problem for any district experiencing enrollment changes, increases or decreases, is one of managing the change through planning. As districts have historically built buildings, added staff and generally expanded as they grew, they must likewise plan for the changes necessitated by decreasing enrollments. The recommendation which follows is predicted on that philosophy.

B. Recommendation

Continuation of the pupil is recommended as the funding unit. The pupil counts will be taken as defined in Chapter 442 now -- the second Friday in September of the base year and the second Friday in September of the budget year. The compensation for the declining enrollment provision will be striken from Chapter 442. The districts' budgets will be calculated on the enrollment as of the second Friday in September for the second preceding school year, the preceding year, or the current year, whichever is the greatest.

eliminates method in para. 3

C. Rationale

The purpose of this recommendation is threefold: 1) to use a stable, meaningful count; 2) to eliminate the need for "phantom" pupil counts through pupil decline cushions and 3) to eliminate the need for fragmented means of determining pupil counts.

Administrators generally responded that previous cushions have not been adequate to lessen the impact of declining enrollment. Although there is a relationship between size of budget and number of students, the loss in students produces a greater loss in income than it does expenditures. The school administrators who indicated disfavor with the phantom principle tended to do so on the need for a greater cushion and the need for more planning time. This approach would provide both.

D. Estimated Cost

Estimated cost beyond the present foundation plan for the 1980-81 budget year:

Total	$6.6 million
State Aid	$4.9 million
Property Tax	$1.7 million

Second Preceding Year Enrollment 1979-80 to 1983-84

Assumptions:

Allowable growth - 7% per year
Assessed valuation growth - 6% per year

Definitions:

Controlled budget excludes AEA Media and Other Support Services.
Tax credits not included in state equalization aid and not subtracted from property taxes. Approximately $115 million in 1978-79.
Formula pupils - actual certified enrollment for the current, preceding, or second preceding year, whichever is the greatest, plus the weighted enrollment.

	1979-80	1980-81	1981-82	1982-83	1983-84
Total Controlled Budget[1]	1,074.6	1,113.1	1,153.6	1,201.6	1,252.0
State Equalization Aid[1]	538.4	563.5	590.3	622.3	644.0
Property Taxes[1]	536.2	549.6	563.3	579.3	608.0
Formula Pupils	623,513	604,479	586,372	571,585	557,386
State Cost	1,685	1,803	1,929	2,064	2,208
Support Level%	77%	78%	79%	80%	80%
Support Level$	1,297	1,406	1,524	1,651	1,766
Uniform Levy/$1,000	5.40	5.40	5.40	5.40	5.40
Assessed Valuation[1]	49,656.2	52,635.6	55,793.4	59,141.0	62,689.6
Ave. Property Tax Rate	10.70	10.34	10.00	9.71	9.62
Ave. Low Tax Rate	8.72	8.42	8.17	7.95	8.00
Ave. High Tax Rate	14.07	13.57	13.10	12.89	12.79

[1]In Millions

Present Finance Plan 1979-80 to 1983-84

Assumptions:

Allowable growth - 7% per year
Assessed valuation growth - 8% per year

Definitions:

Controlled budget excludes AEA Media and Other Support Services.
Tax credits not included in state equalization aid and not subtracted from property taxes. Approximately $115 million in 1978-79.
Formula pupils includes certified enrollment, special education weighting, and enrollment decline cushion.

	1979-80	1980-81	1981-82	1982-83	1983-84
Total Controlled Budget[1]	1,068.0	1,106.5	1,146.9	1,194.7	1,244.9
State Equalization Aid[1]	528.6	548.0	568.4	593.1	606.9
Property Taxes[1]	539.4	558.5	578.5	601.6	638.0
Formula Pupils	619,726	600,906	582,998	568,326	554,237
State Cost	1,685	1,803	1,929	2,064	2,208
Support Level%	77%	78%	79%	80%	80%
Support Level$	1,297	1,406	1,524	1,651	1,766
Uniform Levy/$1,000	5.40	5.40	5.40	5.40	5.40
Assessed Valuation[1]	50,593.1	54,640.6	59,011.7	63,732.0	68,831.0
Ave. Property Tax Rate	10.56	10.13	9.72	9.36	9.19
Ave. Low Tax Rate	8.52	8.27	7.94	7.68	7.66
Ave. High Tax Rate	13.86	13.23	12.64	12.32	12.09

[1] In Millions

Present Finance Plan 1979-80 to 1983-84

Assumptions:

Allowable growth - 7% per year
Assessed valuation growth - 6% per year

Definitions:

Controlled budget excludes AEA Media and Other Support Services.
Tax credits not included in state equalization aid - not subtracted from property taxes. Approximately $115 million in 1978-79.
Formula pupils includes certified enrollment, special education weighting and enrollment decline cushion.

	1979-80	1980-81	1981-82	1982-83	1983-84
Total Controlled Budget[1]	1,068.0	1,106.5	1,146.9	1,194.7	1,244.9
State Equalization Aid[1]	533.5	558.6	585.3	617.0	638.7
Property Taxes[1]	534.5	547.9	561.6	577.7	606.2
Formula Pupils	619,726	600,906	582,998	568,326	554,237
State Cost	1,685	1,803	1,929	2,064	2,208
Support Level%	77%	78%	79%	80%	80%
Support Level$	1,297	1,406	1,524	1,651	1,766
Uniform Levy/$1,000	5.40	5.40	5.40	5.40	5.40
Assessed Valuation[1]	49,656.2	52,635.6	55,793.4	59,141.0	62,689.6
Ave. Property Tax Rate	10.66	10.31	9.97	9.68	9.59
Ave. Low Tax Rate	8.59	8.39	8.11	7.91	7.94
Ave. High Tax Rate	14.02	13.52	13.06	12.86	12.74

[1] In Millions

Question on how to calculate cost.
Also affects #7

RECOMMENDATION II

A. Problem

For the 1971-72 school year, a state average cost was determined by dividing budgets, less miscellaneous income, by the total number of pupils. In that year, the state cost was an average; however, since that year, an allowable growth amount has been added each year establishing a new state cost figure used for support level purposes. The 1978-79 regular program state cost figure, $1,470, does not represent an average of local district cost, nor is it intended to be an average. The actual state average weighted by the number of students in each district is $1,509 for 1978-79. For 1979-80, the state regular program cost is $1,609 per pupil, and the weighted average is estimated to be $1,648.

Since all but one district is now at or above the state cost, the controlled budget actual dollar disparity as it presently exists will continue. By adding equal dollars to the low-cost and high-cost districts, the percent disparity will decrease but not the dollar difference.

Although Iowa's disparities in pupil cost are minimal compared to many other states, it is a worthwhile goal to reduce disparities even further by increasing the state cost and continuing the additional allowable growth. Without the periodic recalculation of the state cost per pupil, the value becomes obsolete and the method static.

Since the allowable growth is calculated by determining a percent allowable growth and multiplying this by the state cost, it is important the state cost be representative of average cost in the state. A figure below the state average results in a lower percent and a lower dollar amount growth for all districts. Thus, a 9.484 percent growth on $1,470 is $139, while on $1,509 is $143. An allowable growth which is $4 greater translates into an over $2.5 million increase in total budgets. Over time the cumulative effects of this are much greater.

B. Recommendation

It is recommended that the state cost per pupil be recalculated to reflect the 1979-80 average cost per pupil. It is further recommended that the state cost be recomputed every two years thereafter.

C. Rationale

The state cost per pupil should reflect a true cost of education as much as possible. Since the state cost presently used is below the state average and all districts except one are at or above the state cost, it is appropriate that the cost is recalculated.

It is also important that the allowable growth be based upon a representative cost figure. If each district had its own allowable growth, then the percentage increase would be rewarding those spending the most. We do not believe this would be appropriate; however, we also do not believe an allowable growth calculated using the lowest cost figures in the state is appropriate.

D. Estimated Cost

Estimated cost beyond the present foundation plan for the 1980-81 budget year;

Total	$24.6 million
State Aid	$19.1 million
Property Tax	$ 5.5 million

Present Formula with Adjusted State Cost 1980-81 to 1983-84

Assumptions:

Allowable growth - 7% per year
Assessed valuation growth - 6% per year
Average state cost 1979-80 - $1,723

Definitions:

Controlled budget excludes AEA Media and Other Support Services.
Tax credits not included in state equalization aid and not subtracted from property taxes. Approximately $115 million in 1978-79.
Formula pupils - includes certified enrollment, special education weighting, and enrollment decline cushion.

	1979-80*	1980-81	1981-82	1982-83	1983-84
Total Controlled Budget[1]		1,131.1	1,172.6	1,221.4	1,273.1
State Equalization Aid[1]		577.7	605.6	637.9	661.1
Property Taxes[1]		553.4	567.0	583.5	612.0
Formula Pupils		600,906	582,998	568,326	554,237
State Cost		1,844	1,973	2,111	2,259
Support Level%		78%	79%	80%	80%
Support Level$		1,438	1,559	1,688	1,807
Uniform Levy/$1,000		5.40	5.40	5.40	5.40
Assessed Valuation[1]		52,635.6	55,793.4	59,141.0	62,689.6
Ave. Property Tax Rate		10.42	10.07	9.78	9.68
Ave. Low Tax Rate		8.46	8.18	7.98	8.00
Ave. High Tax Rate		13.71	13.22	13.04	12.91

[1]In Millions

*The Adjusted State Cost would not be implemented until 1980-81.

RECOMMENDATION III

"Operation" as used here + "Maintenance" mean the same thing

A. Problem

The concern over the issue of increased need for expenditures in the area of facility repair and maintenance is clearly shown in the "Survey of Attitudes Toward Iowa's Present State Foundation Program," in which responses from all the state's 447 school districts indicated that if additional funds were made available, the top two spending preferences would be curriculum maintenance and plant maintenance. Further, increased percentages of the budget are being devoted to operation and maintenance expenditures, as reflected by overall average increases in these expenditures from 1971-72 to 1976-77.

B. Recommendation

It is recommended that the present 67½ cents/$1,000 assessed valuation schoolhouse tax provision be amended so that voter approval is no longer required and is replaced with approval by the local Board of Directors, following a public hearing on the matter. It is further recommended that Chapter 278.1(7) be amended to include facility maintenance expenditures.

repairs only

C. Rationale

Bond issues for schoolhouse construction are placed on the ballot and voted upon by district constituents. Once district voters give their approval for building to be constructed, the local board of directors has the responsibility to see that the investments of district voters are protected. Thus, the buildings must be properly maintained and repaired.

Substantial increases in the operation and maintenance costs have been experienced. These have been reflected in the increase in school district expenditures from 1971-72 to 1976-77. These increases, in large part, have been responsible for the decreases in the portion of the budget devoted to the instructional program. The controlled budget, coupled with the declining enrollment circumstance in many school districts, has made proper repair and upkeep of present school facilities extremely difficult, and many districts have not been able to adhere to a preventative maintenance schedule.

Further, it is not always possible for the school district, through administrative and local board channels, to communicate the criticality of such needs to their constituents. Thus, it is essential that the local board of directors acting in their stewardship role must be given the continuing means of maintaining the school facilities after they have been constructed with voter approval.

D. Estimated Cost

Not applicable

RECOMMENDATION IV

A. Problem

The cost of and need for transportation has been a concern of many individuals with respect to the burden placed upon districts. The size, the geographic differences and other district characterists all result in unique transportation problems and cost. Since school districts do not receive separate or categorical funding for transportation, a legitimate concern often arises with respect to one district spending perhaps twice as much for transportation compared to another district.

Total expenditures for transporting students have increased by substantial amounts since the 1971-72 school year. The total statewide expenditure went from $27.2 million in the 1971-72 school year to $43.2 million in the 1976-77 school year. Although this increase is substantial, the problem centers around the amount and rate of increase occurring in individual districts and the unequal burden transportation could place upon a district.

The following recommendation is based upon an examination of the findings on transportation expenditures and costs between 1971-72 and 1976-77.

This represents no change

B. Recommendation

out of general budget

It is recommended that transportation be retained as a noncategorical funded aspect of the school finance plan, and further that the school districts impacted disproportionately by substantial increases in the proportion of their budgets allocated for transportation continue to seek relief through the School Budget Review Committee, which was established for such purposes.

C. Rationale

Having to spend a higher percentage of the budget on transportation does not result in a district having to spend fewer dollars per pupil on other areas. Those districts spending the most per pupil with transportation cost removed are not those districts spending the least on transportation. It would appear transportation factors were adequately considered in the 1971-72 budgets to the extent they are not placing an excessive burden on districts today.

Although the burden which transportation places upon school budgets does not appear to be unequally affecting dollars available, nor does it appear to have substantially changed since 1971-72, there are some exceptions. These exceptions represent approximately 10 percent of the school districts and could be handled through the School Budget Review Committee. However, categorical funding of transportation does not appear to be warranted based upon: 1) the portion of the budget devoted toward transportation, 2) the changes which have taken place in these expenditures and 3) the effects these increased expenditures have had on dollars available for general fund expenditures.

Overall, the present method of funding transportation appears to be appropriate, probably produces the most efficient busing system for school districts and results in the least amount of administrative paperwork between the state and local school district. Special consideration of the unique and unusual circumstances of approximately 10 percent of the districts will rectify the disparities which do exist.

D. Estimated Cost

Not applicable

RECOMMENDATION V

A. Problem

From the beginning of the present school financing program in Iowa, the use of the enrollments and per pupil costs as the bases for determining the controlled budget have presented problems. To determine a school district's budget for a given year, the appropriate enrollment figure is multiplied times the district's per pupil cost. The enrollment figure to be used in this calculation has varied from year to year.

Put another way, each child generates the average number of dollars for the school budget, and the budget gains or loses at that rate. The overall financial need of a district, however, does not respond in a commensurate way. Just because a school district has ten less students, for example, doesn't mean it can cut expenditures by $15,000. It may mean that no teaching positions can be eliminated, the same overall space must be operated and maintained, and the same transportation system must be operated; thus, a "crunch" is placed on a declining enrollment district. The same is true of an increase in enrollment of ten students. Such an increase would probably be spread among a number of grades, thus in reality creating little need for additional funding. The end result is a "windfall" for an increasing enrollment district.

The real crux of the matter is that enrollment figures and per pupil costs are merely mathematical components of an equation which are determined "after the fact" and have very little direct relationship to the exact needs of a district. Prior to the implementation of the current school finance program, districts determined their program needs, calculated the cost of those programs, revised and adjusted those programs in case costs were considered to be too high, and then generated the necessary local property taxes to blend with anticipated state, federal and miscellaneous income to fund the budget. This method allowed districts to adjust annually to meet their specific and changing needs.

The current school finance program presents unusually difficult problems to smaller school districts. These districts have, in most cases, only one section per grade; they may operate only one building, thus making it practically impossible to effect significant cost savings by closing a facility, and the same number of buses may be needed to traverse the same number of miles to transport less students. In the parlance of the business community, "the overhead continues unabated while the revenues shrink."

B. Recommendation

When a school district's enrollment decreases to 300 students, it is recommended that enrollments no longer be used as the determinant of the controlled budget. Rather, a budget-to-budget procedure will be followed whereby the previous year's budget plus the state allowable growth percentage applied to the budget figure will become the budget for the succeeding year.

Further, it is recommended that the School Budget Review Committee retain its authority to respond to "unusual and unique needs" of individual districts with enrollments slightly above the 300 student cutoff mark.

Finally, it is recommended that all districts which have been below the 300 student mark prior to the date of implementation, request that appropriate DPI staff members review their current budget circumstances to determine reasonable needs to either restore or maintain appropriate programming. Upon recommendation of those staff members, the School Budget Review Committee may make a one-time adjustment to a given school district's budget that puts it "in line" for the budget-to-budget process.

C. Rationale

The relationship between school district size and a number of variables has been well documented by project findings. In terms of program equity, the correlation between size of district and unit offerings was .94 in 1976-77. Twenty percent of the schools, those with average enrollments of 334 and less, offered an average of about 13 Carnegie Units less than the state district average. The breadth of unit offerings in the smallest schools was limited. Larger districts offered considerably more units in English, science, social studies, business, and trade and industry. The state's smallest 45 districts offered only about 1/3 of the Carnegie Units as the state's 45 largest districts.

Further, smaller districts were found to have: 1) higher percentages of their budgets going toward administration; 2) lower portions of the budget allocated for instructional expenditures; 3) substantially lower pupil-teacher ratios (many as low as 6 and 7 to 1); 4) fewer professional support staff, such as guidance counselors, librarians, media specialists, etc.; and 5) a higher percentage of bachelor degree and a lower percentage of advanced degree teachers on staff.

As stated earlier, operational costs of a district neither decrease nor increase proportionately with the loss or gain of students. Costs for personnel, building operation and maintenance, and transportation remain basically the same and change only at certain "unit" points, i.e., 25 students in a first grade class may be reasonably taught by one teacher, but a class of 30-first graders may need to be divided into two sections, thus lowering the pupil-teacher ratio from 25 to 1 to 15 to 1. The personnel costs vary greatly in these two examples, and such a variation may need to be dealt with in any given consecutive years span.

There is no real magic in the enrollment figure of 300, except it does produce an average enrollment per grade of about 23 students, a reasonable size for all classes. As enrollments decline below that figure, the affected school districts have very little opportunity to effect significant savings without cutting programs. Most of the costs continue to increase.

D. Estimated Cost

Estimated cost beyond the present foundation plan for the 1979-80 budget year:

Total $893,000[1]

[1]The estimated cost is based upon 54 districts whose enrollment is estimated to be at or below 300 in 1979-80. It is estimated that by the 1982-83 school year, there will be 78 districts whose enrollment will be 300 or below.

RECOMMENDATION VI

A. Problem

For the 1979-80 school year, the state will guarantee a basic financial level up to 77 percent of $1,609 (state cost) after a minimum level of $5.40/$1,000 assessed valuation. The high support level in Iowa and the use of controlled budgets and controlled growth has resulted in Iowa having one of the equitable finance plans in the United States.[1]

Although the foundation plan is very good, the wealth of the district influences the tax rate to a considerable extent. Since the state does not support the cost of education at 100 percent, the tax rate will always be related to the wealth of the district. Two factors enter into the tax-wealth relationship: 1) the level of state support and 2) the difference between the level of state support and the local cost.

The difference between the level of state support and the local cost is generated entirely through property taxes. Hence, the greater the difference, the greater the influence of local wealth. However, since those districts which have high local cost also have high property wealth, the tax rates are offset to the extent that they are lower not higher. In other words, a greater effort is required of the poorer districts to spend less than is required of the richer districts to spend more.

If the level of state support is established at a higher level and a higher uniform levy is set, then the efforts of the districts will not tend to vary by the wealth of the district. Thus, the following recommendation is presented to further remove the effects of local wealth on effort and budgets.

B. Recommendation

It is recommended that financial equity among districts be improved through increasing the state foundation level by specified intervals to 90 percent, while simultaneously increasing the uniform levy to maintain basically the same relationship between state aid and property taxes as the present finance formula.

C. Rationale

If the foundation plan produced complete fiscal neutrality, then tax rates would not be related to wealth and per pupil wealth would not be related to per pupil costs. Using 1978-79 budget year data, a correlation

[1]This finding was also borne out in the NCSL (LEAP STUDY) REPORT of February 23, 1976, which was funded under the State Equalization 842 Project.

of -.80 was found between tax rates and assessed valuation. The higher the assessed valuation, the lower the tax rate.

By requiring a greater uniform effort from all districts and simultaneously increasing state aid, those districts most able to pay will, and those less able will have the difference made up through state aid. By increasing the uniform levy, increases in state aid can be minimized. Without the increases in the uniform levy, the increases in state aid would result in an undue fiscal drain on the state.

D. Estimated Cost

This recommendation will result in no additional overall cost; however, it will involve redistribution of the tax burden by lowering the tax rate for the poorer districts and raising the tax rate for the richer districts.

This is true assuming the uniform levy is proportionately increased as the foundation support level is increased. If the uniform levy is not increased, the state aid portion of the controlled budgets will assume the entire increase in the additional support.

Increasing Foundation Level to 90%

Assumptions:

Allowable growth - 7% per year
Assessed valuation growth - 6% per year

Definitions:

Controlled budget excludes AEA Media and Other Support Services.
Tax credits not included in state equalization aid and not subtracted from property taxes. Approximately $115 million in 1978-79.
Formula pupils includes certified enrollment, special education weighting, and enrollment decline cushion.

	1979-80*	1980-81	1981-82	1982-83	1983-84
Total Controlled Budget[1]		1,106.5	1,146.9	1,194.7	1,244.9
State Equalization Aid[1]		566.2	589.5	617.5	646.4
Property Taxes[1]		540.3	557.4	577.2	598.5
Formula Pupils		600,906	582,998	568,326	554,237
State Cost		1,803	1,929	2,064	2,208
Support Level%		80%	82%	84%	86%
Support Level$		1,442	1,582	1,734	1,899
Uniform Levy/$1,000		5.67	5.94	6.21	6.48
Assessed Valuation[1]		52,635.6	55,793.4	59,141.0	62,689.6
Ave. Property Tax Rate		10.17	9.90	9.67	9.46
Ave. Low Tax Rate		8.43	8.30	8.23	8.28
Ave. High Tax Rate		13.06	12.53	12.22	11.68

[1]In Millions

*The Adjusted State Cost would not be implemented until 1980-81.

Increasing Foundation Level to 90%

Adjusted State Cost and Second Preceding Year Enrollment

Assumptions:

Allowable growth - 7% per year
Assessed valuation - 6% per year

Definitions:

Controlled budget excludes AEA Media and Other Support Services.
Tax credits not included in state equalization aid and not subtracted from property taxes. Approximately $115 million in 1978-79.
Formula pupils - actual certified enrollment for the current, preceding, or second preceding year, whichever is the greatest, plus the weighted enrollment.

	1979-80*	1980-81	1981-82	1982-83	1983-84
Total Controlled Budget[1]		1,137.9	1,179.4	1,228.5	1,280.4
State Equalization Aid[1]		591.0	615.5	644.9	676.2
Property Taxes[1]		546.9	563.9	583.6	604.2
Formula Pupils		604,479	586,372	571,585	557,386
State Cost		1,844	1,973	2,111	2,259
Support Level%		80%	82%	84%	86%
Support Level$		1,475	1,618	1,773	1,943
Uniform Levy/$1,000		5.67	5.94	6.21	6.48
Assessed Valuation[1]		52,636.5	55,793.4	59,141.0	62,689.6
Ave. Property Tax Rate		10.29	10.01	9.78	9.56
Ave. Low Tax Rate		8.51	8.41	8.33	8.39
Ave. High Tax Rate		13.27	12.72	12.38	11.83

[1]In Millions

*The Adjusted State Cost would not be implemented until 1980-81.

RECOMMENDATION VII

A. Problem

The present enrichment levy is wealth related and would place disproportionate tax burdens on districts of varying wealth, if they were to implement the levy. Currently, there are 38 districts which would be prohibited under the law from generating the maximum enrichment levy, since the tax effort would exceed the statutory limit of $1.08/$1,000 assessed valuation and the 20 percent income surtax.

B. Recommendation

It is recommended that the present enrichment levy either be repealed or be replaced with a local discretionary levy which would raise an amount equal to the present enrichment levy, incorporate a guaranteed tax yield principle and could be used for any purpose the local district chooses.

If the latter alternative is chosen, it is recommended that the local discretionary levy be based upon a guaranteed tax yield requiring a tax effort for any district not to exceed the tax effort of the district at the average tax base.

It is further recommended that the decision to implement the levy should rest with each local board of directors, with a provision for a reverse referendum as a voter recourse.

C. Rationale

An analysis of the 21 districts which have passed the enrichment levy indicates that the average per pupil assessed valuation for these districts is $158,856 compared to a state average of $74,675 and a median assessed valuation per pupil of $161,057 compared to a state median of $90,246.

Under the current enrichment provision, the lowest tax rates required would be 26 cents/$1,000 assessed valuation and an income surtax of 4.7 percent, while the highest allowed by statute would be $1.08/$1,000 assessed valuation and a 20 percent income surtax. This is a variation in tax effort which is five times as high for some districts as for others.

Since the tax rates required to raise the per pupil enrichment amounts have been shown to be wealth related and vary up to five times the effort for some districts, and further that 38 districts can not, under current statutes, raise the maximum per pupil amount, it is obviously unfair to allow the present method of raising additional money to go unchanged. A guaranteed tax yield principle will assure each district choosing to implement the enrichment levy of a tax effort not greater than the district at

the average wealth level. Thus, the factor of wealth no longer determines whether an enrichment levy can be passed.

In addition, leaving the discretion of implementing the levy with the local board puts those most aware of the needs of the school in a more responsive position to deal directly with the needs and yet local constituents who find action of the local Board of Directors to their disliking have recourse through a reverse referendum if desired.

D. Estimated Cost

Estimated cost beyond the present foundation plan for the 1980-81 budget year:

Total $9.85 million[1]

[1]This cost assumes:

1) that all districts implement the local discretionary levy; and
2) a guaranteed tax base of $140,000 per pupil would be used.

RECOMMENDATION VIII

A. Problem

In both 1971-72 and six years later in 1976-77, significant differences were present in terms of the number of Carnegie Unit offerings across districts. Differences occurred both in terms of total unit offerings made available and in the diversity of offerings. Major discrepancies were found to exist in vocational areas of the curriculum, in some cases with no offerings available in specific vocational areas.

It is recognized that currently a study of vocational education programs and delivery systems is being conducted by a State Board of Public Instruction authorized task force. The task force will conduct a comprehensive investigation into the problems faced by schools in attempting to provide adequate vocational education to all students and will make recommendations directed at solutions to those problems.

The following recommendation, therefore, does not attempt to deal with the total scope of vocational education but only to the extent that vocational education was represented in the variables examined by the State Equalization Study, specifically program equity in terms of Carnegie Unit offerings.

B. Recommendation

It is recommended that the concept of comprehensive high school programs be encouraged and further that such programs be made available to all students. This recommendation recognizes that equity in terms of programs does not exist for students in all districts, and further that program equity is tied to other issues such as school finance and school district structure, issues which are addressed by other recommendations. Thus, specific methodologies for achieving this recommendation are not presented.

C. Rationale

In 1971-72 districts with the fewest unit offerings made available to students an average of 36 units or approximately one-half of the offerings of the districts with the highest average unit offerings. By 1976-77, this inequity increased to where districts with the fewest offerings were making available to students 38 units, on the average, or about one-third the offerings of the districts offering the most units.

Compared to the highest offering districts, the districts with the fewest units offered only about one-half as many units in art, business, industrial arts, English, science and social studies, and only about one-sixth as many units in trade and industry.

The district characteristic most closely associated with the number and diversity of Carnegie Units offered was district size as measured by average daily membership. The correlation between Carnegie Unit offerings and average daily membership was .78 in 1971-72 and .94 in 1976-77.

Examination of program offerings over the six-year period from 1971-72 to 1976-77 revealed that the discrepancy in pupil opportunity, as seen in educational program offerings has increased substantially, and further that the factors present during the six-year period are still present and will most likely continue to cause the educational programs, as viewed by curricular offerings, to become even more inequitable in years to come.

D. Estimated Cost

Not applicable

RECOMMENDATION IX

A. Problem

Data from the study reveal that program equity as measured through Carnegie Unit offerings, professional support staff, percentage of the budget spent for instruction and pupil-teacher ratios is related to school district size more so than any other district characteristic, and further that students in the smallest districts do not have access to equal program opportunities. Results show further that educational training and most likely experience is also directly correlated with district size, thus teaching staffs of school districts also vary considerably in terms of teacher experience and educational training.

Program equity in terms of Carnegie Unit offerings is substantially influenced by district size. In 1976-77 district size and total unit offerings were correlated .94. Seventy percent of the state's 447 school districts made available Carnegie Unit offerings equal to only 49 percent of the offerings of the state's 45 largest districts, and 20 percent of the state's school districts offered less than 40 percent of the units made available by the largest districts. Small schools also had substantially fewer offerings in the areas of business education, English, foreign language and trade and industry.

Further, the smallest school districts: 1) spent higher proportions on non-instructional areas of the budget and less on instruction; 2) had substantially lower pupil-teacher ratios and 3) had a higher portion of their staff composed of bachelor level teachers and most likely a higher proportion of teachers with less experience than larger schools.

Finally, the smallest school districts tended to have the highest per pupil expenditures and yet were unable, in most instances, to provide equitable programs compared to districts which were spending considerably less per pupil. For example, general fund expenditures per pupil for the smallest districts, average ADM of 354, were $1,822, almost $400 more than per pupil expenditures for the highest ADM districts.

B. Recommendation

The restructuring of districts should be considered by noting that equity of educational programs is most efficiently and effectively offered in districts as the enrollment of districts increases. The size of districts can be established through a variety of alternatives; however, three are suggested for consideration by the General Assembly:

1. County School Systems

The county school system has many advantages administratively. The county is the state's fundamental unit of government. Each county has a separate taxing authority, maintains essential information and records through the offices of county recorder, auditor, assessor and treasurer.

Historically, the county has been the fundamental unit for educational services outside the local district. It not only, therefore, has a successful history in terms of educational services but is probably a most viable government unit and in all likelihood will remain so. Thus, it could provide a substantial and secure base for school district structure.

The county school system may have limited appeal at the local level, since it is not a grass roots community approach to school reorganization.

2. "County-Like" Systems

The county-like alternative is a variation on the county school system but major differences do exist. County-like districts are meant to imply large geographic districts which resemble the county in size but are not restricted to county boundaries.

Also, county-like districts could be structured to recognize several districts within a county, especially in the more densely populated areas. For example, the seven largest cities in the state could be excluded from any county-like system.

It would also be important to allow the smaller districts surrounding a population center in a county to have the option of merging with or remaining independent from the existed larger district. The larger district, however, should not have the option to reject the smaller districts.

3. Minimum Enrollment Approach

The minimum enrollment approach to restructuring school districts is the least prescriptive of the three approaches in that only the minimum enrollment is established and the method to achieve the minimum is locally determined. This is probably the most grass roots approach to reorganization.

Obviously, minimum enrollments in themselves are not the desired goals. It is what will be achieved when a given number of students are collectively educated. If the minimum could not be achieved because of sparsity of population or geographic travel barrier, then exception to the minimum would be very appropriate.

A minimum enrollment approach has been used by the General Assembly as the means to establish new school districts in Iowa. Currently, a minimum of 300 enrollment exists for any new school reorganization.

An approach to the establishment of enrollment minimums would be to base the minimums on multiples of 325. This is derived from using reasonable class sizes of 25 across the 13 grade levels. Thus, enrollment minimums of 325, 650, 975 and 1,300 might be considered.

C. Estimated Cost

Not applicable